

12/4/78 [2]

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Andrew Young to Pres. Carter, 1 pg., re: UN activity <i>opened per RAC NLC-126-15-15-1-8, 6/27/13</i>	11/30/78	A
Memo	Harold Brown to Pres. Carter, w/attachments 3 pp., re: Defense activity	12/1/78	A

FILE LOCATION

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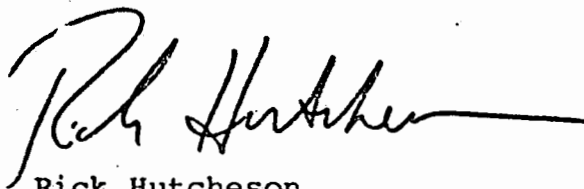
THE WHITE HOUSE
WASHINGTON

December
~~November~~ 4, 1978

MEMORANDUM FOR
THE HONORABLE JAMES SCHLESINGER
Secretary of Energy

RE: Your Memorandum Entitled, "Amendments
to the Mandatory Oil Import Program"

The President approved the recommendation in your memo
of November 11 on the above-referenced subject.



Rick Hutcheson
Staff Secretary

cc: Jim McIntyre
Zbig Brzezinski
Charles Schultze
Stu Eizenstat

FOR STAFFING
 FOR INFORMATION
 FROM PRESIDENT'S OUTBOX
 LOG IN/TO PRESIDENT TODAY
 IMMEDIATE TURNAROUND
 NO DEADLINE
 LAST DAY FOR ACTION

ACTION
 FYI

news to DOE
 That Pres
 approved the
 recommendation in
 11-11 memo - CC OMB, NSC, CEA

ADMIN CONFIDENTIAL
 CONFIDENTIAL
 SECRET
 EYES ONLY

VICE PRESIDENT

JORDAN

EIZENSTAT - ~~Done~~

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

Also -
 check W/OMB
 to see where
 proclamation is
 is will all
 back

THE WHITE HOUSE
WASHINGTON

12/1/78

Mr. President:

DPS, NSC, CEA, OMB and
Congressional Liaison
all concur with Schlesinger.

Eizenstat's comment is
attached.

OMB, although "concerned
about the longer run
budget impact of the pre-
cedent set by waiting the
fee on residual fuel oil,"
concurs as well.

Rick

12/2

The President had^s decided to temporarily waive the 63 cent per barrel import fee on residual fuel oil brought into the East Coast. The elimination of this fee, plus changes recently made in the "entitlements" program by the Department of Energy, will assure that all the users on the East Coast are provided the benefits of price controlled petroleum and are not penalized by the present dependence on import oil.

These changes will be ~~formally~~ implemented after the President formally amends Proclamation 3279 ~~by the end of~~ next week.

These amendments will also make two permanent changes in the import fee program nation wide: (1) a more equitable distribution of fee exempt licenses, and (2) a limitation on the ~~extent to which~~ ^{which} customs duties can be used to reduce import fees on both crude oil and petroleum products.

EIZENSTAT MEMO
DATED: NOVEMBER 28

THE WHITE HOUSE

WASHINGTON

December 1, 1978

MR. PRESIDENT:

The New England Congressional Caucus asked the Vice President and Secretary Schlesinger to be the keynote speaker at the New England Energy Congress Convention Saturday evening in Boston. Neither of them could make an appearance, so I have accepted the request from The Speaker and Congressman Boland.

As you know, the attached proclamation will be of considerable interest to the people attending the convention. It might be timely for me to announce, on your behalf, the signing of the proclamation in my speech. I feel, and I believe DOE would concur, that the credit for this action should accrue to you as opposed to just DOE. This initiative has been of major interest to The Speaker.

☒ Announce Signing of Proclamation

☐ Do Not Announce


Stu Eizenstat

THE WHITE HOUSE

WASHINGTON

November 28, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT
KITTY SCHIRMER

Stu

SUBJECT: SCHLESINGER MEMORANDUM ON AMENDMENTS TO
THE MANDATORY OIL IMPORT PROGRAM

Jim Schlesinger's November 11 memorandum recommends that you sign a proclamation amending an earlier proclamation which governs our import fee license system. We concur in that recommendation.

The proclamation recommended for your signature would:

- increase the number of licenses (and thereby the volume of refined product) for imports of foreign refined residual fuel oil which are exempt from the current license fee (63¢ per barrel).
- change the manner in which these "fee-free" licenses are distributed so that the program no longer discriminates against new entrants into the fuel import and distribution business and against importers whose situation has altered substantially since 1973, the base year by which fee-free license distribution is now calculated.
- limit the extent to which refunds from customs duties can be used to reduce license fees.

The first of these changes is recommended as part of a compromise reached with the Congress (and enacted in Interior Appropriations bill) concerning inclusion of imported fuel oil in the entitlements program. At present, imports of foreign-refined fuel oil are not fully included in the entitlements program -- the means by which the government assures that petroleum costs are equalized regardless of whether a refiner is dependent largely on imported crude oil, or has access to price-controlled domestic oil. Imported fuel oil receives a 30% entitlements benefit, as compared to domestically refined fuel oil which benefits from a 100% entitlement on crude. The practical effect of this arrangement is higher than average fuel costs in New England, and in other parts of the eastern seaboard where consumers are

heavily dependent on imported fuel oil.

In June of last year, the Department of Energy proposed an administrative change in the entitlements program which would permit imported fuel oil to share fully in the entitlements pool. While receiving substantial support from the eastern Members of Congress, the proposal was opposed by Members from other parts of the country who argued (incorrectly) that this scheme would serve only to subsidize New England at higher cost to other parts of the country. The Senate blocked implementation of the DOE proposal, and during the summer negotiations began as to legislative remedies which would provide some relief for New England although not as much as DOE proposed.

The compromise was finally enacted in the Interior Appropriations bill and provides that imported fuel oil may receive a 50% entitlements benefit until July 1, 1979. At that time, without further legislative action, the entitlement reverts to 30%. As part of that agreement with the Congress, Schlesinger after consultation with us, stated that he would recommend to you that the underlying proclamation governing fee-free licenses would be amended so that a reduction in the number of fee-free licenses which will otherwise go into effect, be temporarily suspended. The original DOE proposal made in June would have had a similar effect.

The two other changes made by the Proclamation were not part of the Congressional discussions. It does, however, make sense to take advantage of this opportunity to correct two underlying difficulties with the current Proclamation.

The change in the distribution system for fee-free licenses will permit all importers to receive these licenses in accordance with their actual needs, rather than in accordance with an allocation system based on 1973 demand patterns. This will give new entrants in the importing business access to these licenses, and will permit needed changes in license distribution to those whose needs have changed since 1973.

The other change deals with the relationship between customs duties and license obligations. The recommended change would prevent a current situation where refunds

of customs duties are made in certain cases where no license fee was paid on that barrel.


This will have the effect of slightly increasing the refiners' acquisition cost for imported crude by closing what has essentially been an unintended loophole in the import program. Its effects will be distributed nationwide, and no noticeable inflationary or regional impacts are anticipated. This change may provoke some minor complaints, principally from the major oil companies, but DOE believes that anyone familiar with the MOIP program would agree that this change is reasonable.



Department of Energy
Washington, D.C. 20585

November 11, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM SCHLESINGER 

SUBJECT: Amendments to the Mandatory Oil
Import Program

The purpose of this memorandum is to recommend that the current version of Proclamation 3279 which provides for the long-term control of imports of petroleum and petroleum products through an import fee license system be amended in the following manner:

1. By temporarily suspending the reduction in the number of fee-exempt licenses available for imports of residual fuel oil into the East Coast, which will effectively remove the current \$.63 license fee applicable to some of these imports;
2. By permanently amending the manner in which such fee-exempt licenses are distributed; and
3. By restricting the extent to which customs duties may be utilized to reduce license fee obligations.

This recommendation follows the recent enactment of a FY 1979 Department of the Interior Appropriations Act which in part provides funds for certain Department of Energy activities. The Congressional action included a provision which in effect preempted a rulemaking proceeding we initiated in June in which we proposed to increase the level of entitlement benefits granted to both imported and domestically produced residual fuel oil. The Entitlements Program is the program the net effect of which is to evenly distribute the benefits of crude oil price controls among all refiners and regions of the Country. The intent of our proposal was to allow consumers in the East Coast region, who are disproportionately dependent upon imported residual oil rather than imported crude oil, to receive the same benefits of price-controlled crude oil as do consumers in other parts of the Country. A principal

difference between the Congressional action and our June proposal (other than that we would have given slightly higher entitlements benefits to residual oil) is that our proposal would also have had the effect of eliminating certain disparities in the import fees paid by importers of residual oil into the East Coast.

With respect to the level of entitlement benefits, certain Members of Congress felt that entitlements benefits should continue to be limited to the current 30% level on the basis that consumers in areas of the Country other than the East Coast would be obligated, in effect, to "subsidize" residual fuel oil imports to the detriment of domestic refining capacity. Other Members of Congress, primarily from import dependent regions of the Country, agreed with the Department's position that it was not a question of subsidizing imports, rather it is a question of sharing the benefits of price-controlled petroleum among all consumers and that it is inequitable to exclude the East Coast which can only gradually eliminate its import dependency.

The compromise which was eventually reached in the Interior Appropriation's Act was that the entitlements benefits for residual fuel oil would be limited to 50% until July 1, 1979 at which time the benefits would revert to 30%. In order to facilitate the compromise, and in light of the fact that essentially the same result will be achieved, I agreed to recommend to you that Proclamation 3279 be amended to increase temporarily the number of fee-exempt allocations for residual fuel oil so that importers would not be subject to payment of the fees during the same period. Accordingly, pursuant to the authority vested in me by the Proclamation 3279, I recommend that you amend the Proclamation by suspending the reduction in fee-exempt allocations of residual fuel oil into District I (East Coast) until July 1, 1979.

In addition, I also recommend that the manner in which such allocations are distributed be permanently amended so that all persons desiring to import residual fuel oil into the East Coast shall be eligible to receive fee-exempt licenses according to their actual needs. Currently such licenses are distributed to a specified class of applicants on the basis of estimations which they made of their needs during 1973. The inherent inaccuracy of the original estimates coupled with the radical changes in residual fuel oil markets in the intervening years had led to a situation where some persons hold fee-exempt licenses far in excess of their needs while others must purchase licenses. In addition, new entrants are ineligible to receive fee-exempt licenses.

Finally, I recommend that the manner in which refunds or reductions in license fees for duties paid to the United States Customs Service on an imported barrel of petroleum or petroleum products be permanently amended to bar refunds or reductions in excess of the fee paid on that same barrel. Currently, duties paid on fee-exempt imports may be aggregated with duties paid on imports subject to the payment of fees and the total may then be deducted from total fees paid for the period. This method of reducing fee obligations allows refunds to be received for duties paid on a barrel of imported petroleum or petroleum products even though no license fee was paid on that barrel. We believe that this system resulted in unwarranted fee reductions.

The budgetary impact of these recommendations is as follows:

	<u>Gain/(Loss)</u>
1. Impact on Treasury revenues due to increased fee-exempt allocations of residual fuel oil from November 1, 1978 to July 1, 1979:	(\$34.2 million)
2. Impact on Treasury revenues due to elimination of excess duty refunds from November 1, 1978 to July 1, 1979:	\$121.2 million
3. Net impact on Treasury revenues from November 1, 1978 to July 1, 1979:	\$87.0 million

The distribution of the additional fee-exempt licenses will not provide disproportionate benefits to importers on the basis of their size. The gain in Treasury revenues due to the elimination of excess duty refunds will probably, however, have a greater impact on large oil companies.

The Department of Energy has drafted an amendment to Proclamation 3279, as amended, which incorporates the changes I have recommended in this memorandum. The draft has been transmitted to the Office of Management and Budget for interagency review and implementation.

THE WHITE HOUSE

WASHINGTON

Date:

MEMORANDUM

FOR ACTION:

Stu Eizenstat *11/12 - Kelly*
Frank Moore *concur*
Jack Watson *nc*
Zbig Brzezinski *concur*
Jim McIntyre *(Staff) 11/12 11/22 Kelly*
Charlie Schultze *concur*

FOR INFORMATION:

The Vice President
Bob Lipshutz
Anne Wexler

FROM: Rick Hutcheson, Staff Secretary

SUBJECT:

Schlesinger - Amendments to Mandatory O.I. Import Program

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00

DAY: Wednesday

DATE: November 15

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

1 DEC 1978

MEMORANDUM FOR RICK HUTCHESON

FROM: JAMES T. MCINTYRE, JR. *James T. McIntyre, Jr.*

SUBJECT: Amendments to the Mandatory Oil Import Program

We have reviewed Secretary Schlesinger's November 11 memorandum to the President proposing that Proclamation 3279 on oil import fees be amended in the following manner:

1. For residual fuel oil imported to the East Coast, waive all existing fees through June 1979.
2. For crude oil and all petroleum products, amend the procedure for selecting individuals exempt from paying import fees.
3. For crude oil and petroleum products, limit the extent to which customs duties can be used to reduce license fees.

The first amendment, waiving the import fee for residual fuel, is part of an agreement reached between Secretary Schlesinger and members of Congress regarding the pricing of residual fuel oil on the East Coast for utilities and industrial plants. DOE had earlier proposed changing the "entitlements" program to provide benefits to East Coast importers of residual fuel oil so that all portions of the country would benefit more equitably from crude price controls. Congressional representatives from oil producing States objected that this was a subsidy at their expense. The net result was that the entitlements benefits were scaled back (as provided in the Interior Appropriations Act) and the Secretary agreed to recommend to the President suspending the import fee on residual fuel oil until July 1, 1979, the date when other pricing restrictions in the Interior Appropriation Act expire. The loss of import fees will reduce revenues to the Treasury by \$34.2 million in FY 1979.

We believe that if crude price controls continue, the political pressure next summer could force adoption of a permanent exemption from import fees on residual fuel oil at a loss in Federal revenues of about \$200 million in FY 1980. Programmatically, this may not be bad because the original purpose of the fee was to protect domestic refiners, and apparently this need no longer exists. A permanent exemption would clearly have a significant budget effect. On balance, we support the temporary exemption as the amendment proposes.

The second amendment would change the procedure for selecting individuals exempted from paying the fee. When the current fee system was instituted, to ease the burden on importers, the proclamation provided that a certain number of barrels of crude and petroleum products could be imported exempt from the fee. Each year the number of barrels exempted from the fee declines so that by May 1, 1980, a fee is to be paid on all imported oil. Currently, an individual's 1973 import level is the base year used to determine the amount of oil that he can import fee exempt. Since 1973, there have been marked changes in import markets so the current distribution of fee exemptions bears little resemblance to actual use. (Some individuals profit from surplus rights.) The proposed amendment would make the base period the next six months and eliminate certain discretionary authority that the Secretary now has to determine who is eligible to be exempted from the fee. We think this is a desirable change because distribution of fee exemptions would be based on current use.

The third amendment, which limits crediting of certain customs duties (crude oil and petroleum products) against the import fees, could be controversial because it may be viewed as offsetting the benefits to the East Coast from waiving import fees on residual fuel oil. The existing proclamation allows customs duties to be used to reduce the import fees. Because some oil is imported exempt from the fee, importers deduct the duty on a barrel which is fee exempt from a barrel on which a fee is paid, thus doubling up the duty credits. The amendment would limit the custom duty credit against import fee to the barrel of oil on which the duty is paid. In FY 1979 this would increase Treasury revenues by \$169 million of which \$38 million would come from the East Coast prior to July 1, 1978. We do not think this provision is in conflict with Secretary Schlesinger's agreement to ease the burden on the East Coast because:

1. It affects all imports to the U.S.--crude as well as products--East Coast, Gulf Coast, and West Coast.
2. The increased fees would be paid by major petroleum firms rather than those that primarily import residual fuel oil, and
3. The existing loophole by which the petroleum industry circumvents the intent of the proclamation should be closed; the East Coast would still be relatively better off by \$32 million.

We believe, therefore, this amendment should also be approved.

In sum, while we are concerned about the longer run budget impact of the precedent set by waiving the fee on residual fuel oil, we recommend that these three oil proclamation amendments proposed by Secretary Schlesinger be approved as a package on policy and program grounds. Our General Counsel is preparing the proclamation for Presidential signature.

mtg w Black leaders

Food stamps

Child nutrition

Econ development

Assist. minority business

Civil Rts enforcement

Equal oppor. Contr. Compliance

Ed for disadvantaged

CETA → most disadvantaged

Medicaid / care / Soc Sec

black leadership meeting/budget 12/4/78

THE WHITE HOUSE
WASHINGTON

Vernon

life worsened
slow or no-growth

Interest rates

< CETA

< Health

< Housing

Price ceilings

jobless - therapy coming
welfare

Carl

Counter cyclical jobs

New initiatives → poor, women

Buckley

Assessment of
new programs

Dick

Don't lose progress

~~CONFIDENTIAL~~

TO: President Carter
THROUGH: Rick Hutcheson
FROM: Ambassador Young
SUBJECT: U.S. Mission Activities, November 17 - 30

UNITED NATIONS GENERAL ASSEMBLY

ECOSOC ELECTION - After Cuba announced the withdrawal of its candidacy, the General Assembly November 17 elected Barbados to the final vacancy remaining on ECOSOC for a three-year term beginning January 1, 1979.

UNGA DEBATE ON APARTHEID - The annual UNGA debate on apartheid ended November 27 after 73 speeches. The debate generated little interest around the UN. Speeches generally contained lengthy condemnations of apartheid, assurances of support for the struggle of the oppressed people of South Africa, and details of unilateral action taken in opposition to apartheid. Concern was also expressed over the need to tighten the arms embargo and over the military build-up along the Namibia-Angola border. Only one resolution has so far been introduced. Approximately thirteen additional resolutions should be formally introduced early next week, but voting is not expected before December 11.

IRAQI RESOLUTION - On November 27 the General Assembly's First Committee adopted the Iraqi-sponsored resolution on "military and nuclear collaboration with Israel" by vote of 68-25-33. Those in favor included co-sponsors, Soviet bloc, China and a number of non-aligned, principally Africans. Nearly all Western groups opposed, along with about half of the Caribbean countries and Paraguay. Remainder of Latin Americans and Africans abstained or were absent.

SECURITY COUNCIL

CYPRUS - On November 27 the Security Council adopted by consensus resolution 440 on Cyprus. The breakthrough in the procedural impasse came as a result of Cypriot decision to withdraw their request for the Security Council to grant a hearing to House of Representatives President Michaelides, provided the draft resolution would be adopted by consensus. After adoption of the resolution and statements by several SC members, Cypriot FM Rolandis asked the Council to keep open the possibility of taking measures against Turkey in 1979 if there is insufficient progress in implementation of SC resolutions. Neither side is fully satisfied with the text of the resolution, and the Cypriots are also unhappy about having to back down on the procedural issue.

UNDOF - The Security Council met formally November 30 to renew for six months the mandate of the UN Disengagement Observer Force (UNDOF) in the Golan Heights.

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for Preservation Purposes

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DECLASSIFIED
Per: Rac Project
ESDN: NLC-126-15-15-1-8
BY: KS NARA DATE 6/25/78

December 4, 1978

To Ambassador Ardeshir Zahedi

Thank you very much for sending the magnificent set of Arthur Pope's Survey of Persian Art for the White House Library. Your courtesy and thoughtfulness are legendary.

I deeply appreciate the friendship which binds our two nations.

Sincerely,

ARMY

His Excellency
Ardeshir Zahedi
Ambassador of Iran
Imperial Embassy of Iran
3005 Massachusetts Avenue, N.W.
Washington, D.C. 20008

36

27th - 1978 - 1979

THE WHITE HOUSE
WASHINGTON

12/1/78

Mr. President --

It seems(ed) a little
unusual for Ardeshir to
send over something like
attached for library, unless
he doesn't expect to return.

I therefore had a presidential
and an ssc drafted, since
he had directed books to me
for you/library.

Thought you might want to
sign personally.

--SSC

*Mention the
books to WH
library
J*



IMPERIAL EMBASSY OF IRAN

November 28, 1978

The Ambassador

Dearest Susan

I have tried to reach you by telephone a couple of times recently but without success. So, as I am leaving tomorrow, I thought that I had better just write you this letter.

I am sending along with it a set of the sixteen volumes of Arthur Pope's "Survey of Persian Art," which I hope that President Carter will be able to accept for the White House Library.

Arthur Pope was of course the organizer of the 1960 conference on world archeology which was held in New York and was attended by representatives from almost every country in the world, including Japan and Russia. He did a tremendous amount of work in Iran, a country with which he shared a deep and abiding friendship. In fact he asked to be buried there and his tomb, which was built by His Imperial Majesty, now stands in Isfahan.

I am off to Iran now and hope to see you when I return, probably in a couple of weeks time.

With my fondest wishes.

Ms Susan Clough
Office of the President
The White House
Washington, D.C 20500

*God Bless you
Very Sincerely yours
A. E. V.
O. Aleskin*

THE WHITE HOUSE
WASHINGTON

04 Dec 78

The Vice President
Hamilton Jordan
Stu Eizenstat
Tim Kraft
Bob Lipshutz
Frank Moore

Jody Powell
Jerry Rafshoon
Jack Watson
Anne Wexler
Jim McIntyre
Hugh Carter

The attached was returned in the
President's outbox today. It is
forwarded to you for your information.

Rick Hutcheson

EYES ONLY

RE: CABINET SUMMARIES

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

ACTION

FYI

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

December 1, 1978

C

MEMORANDUM FOR: The President
Attention: Rick Hutcheson

SUBJECT: Weekly Report of Major Departmental Activities

Neighborhood Strategy Area (NSA) Program Impact Being Felt. HUD's Section 8 commitment of 450 dwelling units to the Hyde Park neighborhood of Kansas City, Missouri, has sparked a revival of the inner city section. The Home Savings Association has committed \$1 million for combined purchase and rehabilitation loans in the NSA. In addition, the Association has made \$250,000 available to present residents of the neighborhood to rehabilitate their homes. Residents are quoted as saying the neighborhood is undergoing a rebirth with families moving in from the suburbs in search of houses with room and charm at prices they can afford without displacing current residents of the neighborhood.

HUD Upheld in Energy-Saving Efforts. The District Court in Massachusetts has denied plaintiffs' motion for a preliminary injunction to halt conversion of master electric and gas meters to individual meters in public housing projects. The Court found that the HUD regulation requiring conversion had a reasonable basis for its issuance in seeking to conserve energy.

Interagency Agreement to Aid Neighborhoods. Under an agreement between HUD and the National Endowment for the Arts (NEA) funds will be made available to neighborhood groups to do revitalization. In a related issue, staff from HUD's Office of Neighborhood Development are exploring the possibility of coordinating efforts with the Departments of Interior and Energy. Efforts with Interior relate to two of the urban policy initiatives -- urban parks and neighborhood self-help. The focus with Energy is on the potential for developing mutual programs under Energy's small grants program and HUD's neighborhood and counseling programs.

Successful Denver Program May be Expanded. A six-month city program in Denver for the renovation of abandoned single-family homes is so successful that the City Council is being asked to extend the program to apartment buildings. Based on a new City ordinance making it illegal for a residential structure to stand abandoned for more than six months unless it shows "evidence of current construction or remodeling activity," the program has resulted in renovation of 94 homes.

Massachusetts will Actively Aid Low- and Moderate-Income Families. The Massachusetts Supreme Judicial Court has declared constitutional a 1974 law creating the Massachusetts Home Mortgage Finance Agency, which will make up to \$25 million available to low- and moderate-income families for residential mortgages at low interest rates.

Region VIII Actively Helping Small Cities. The Office of Regional Community Planning and Development is holding a series of workshops in each state in the Region to describe the Small Cities Program and explain HUD regulations and requirements for participation in the program. Representatives of all municipalities and counties in Colorado, Utah, Wyoming, Montana, South Dakota and North Dakota have been invited to attend.

Pat

Patricia Roberts Harris



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

C

December 1, 1978

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE DOLLAR

Foreign exchange markets reacted fairly calmly to announcement of the October U.S. trade figures at mid-week (a deficit of \$2.1 billion versus one of \$1.7 billion in September). Although the dollar depreciated slightly following release of the figures on Wednesday, requiring some U.S. intervention, the dollar subsequently returned to last week's levels against most major foreign currencies. The dollar has appreciated by about 2% against the yen this week stimulated by what appear to be temporary influences. The market still expects the yen to strengthen against the dollar.

Barring new technical problems, the first foreign currency Treasury borrowing is scheduled for the week of December 11. It will be a deutschemark financing in the German credit market in the range of \$1.3 - \$1.6 billion (U.S.). I will be discussing this and other monetary issues with Chancellor Schmidt and Finance Minister Matthofer in Bonn next week.

The DM issue probably will be followed by a Swiss franc borrowing in mid-January, though details have yet to be finalized.

2. REAL WAGE INSURANCE

Further to our discussion Friday, Treasury and CEA estimate that, under reasonable assumptions, the cost of real wage insurance would be \$4.5 billion for each percentage point of inflation in excess of 7 percent. An inflation rate of 8.5 percent would result in a budget cost of \$6.8 billion. Congress may well increase the cost of the program -- e.g., by making low wage workers automatically eligible.

I am deeply concerned about how to handle this issue. You will have to decide between a range of difficult options.

3. PRIVATE SCHOOLS REVENUE PROCEDURE

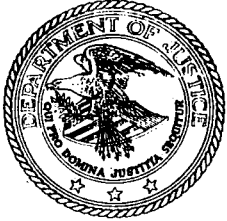
The Internal Revenue Service has a proposed new "revenue procedure" to determine whether certain private schools claiming tax exemption are racially non-discriminatory. (Tax exemptions to those who discriminate are unconstitutional.) The proposal has attracted very substantial public and Congressional criticism and comment. The IRS will hold public hearings on December 5-8.

4. EPG

The EPG met this week on the minimum wage and the wage-price standards. The meeting revealed substantial support (Treasury, CEA, OMB, CWPS) for deferring the 1980 and 1981 minimum wage increases for youth, as a pro-employment and anti-inflation measure. DOL opposes the idea. You will receive an options paper within a week or so. The EPG also reviewed CWPS' proposed amendments to the wage-price standards and concluded that further technical work, and consultation with labor and business, are necessary, with a final conclusion not likely before mid or late December.

W Michael Blumenthal

W. Michael Blumenthal



Office of the Attorney General
Washington, D. C. 20530

C

December 1, 1978

Principal Activities of the Department of Justice
for the week of November 27 through December 1, 1978

1. General Loan

Like the President, the Attorney General first learned of the General Loan matter from news accounts. The President's reaction as reported by Jody Powell was shared by the Attorney General: that such historical revisionism was folly. He immediately asked for a full report from the Immigration Service. The Attorney General learned that a number of the news accounts were erroneous in stating that Loan was to be deported, since as a practical matter there was no place for Loan to be sent. The effect of the proceeding, if successful, would be to readjust Loan's status from permanent resident alien (a citizenship track) to refugee. He asked the Office of Legal Counsel for an opinion as to both the merits of the Immigration Service's proceeding, and as to his own authority to reverse the Service's action as a policy matter if he deemed it appropriate in the exercise of his discretion. A tentative oral opinion from OLC indicates that the Service's case against General Loan is weak and that the Attorney General does have such authority. A formal written opinion should follow next week. Unless the opinion changes the Attorney General's present inclination, he will likely move to stop the proceeding on the basis of the weakness of the Service's case when considered in light of all the circumstances.

2. Support for President's Austerity Budget

The Attorney General addressed an open meeting of all Justice Department employees to alert them to the likelihood of a substantial reduction in previously anticipated Department funding and employment ceilings, as part of the Administration's effort to reduce government spending in order to fight inflation. The Attorney General stated that he had committed the Justice Department to supporting "vigorously" the President's austerity program, that every effort would be made to absorb reductions without lowering the quality of the Department's more important services, and that the Attorney General was "counting on the leadership and staff of this Department to implement these reductions with care and pre-

cision and to accept the importance of this undertaking." The Attorney General's message was well received; there seems to be a general recognition at the Department of the importance of the Administration's undertaking.

3. Civiletti Trip to Southwest

Deputy Attorney General Benjamin R. Civiletti, Community Relations Service Director Gilbert Pompa, and Deputy Assistant Attorney General John Huerta of the Civil Rights Division traveled this week for three days through the Southwest making a general assessment of the problem of police brutality, particularly as it relates to Mexican-Americans. The three Justice officials met in a number of locales with representative public officials and prosecutors (federal, state, and local), local police chiefs and sheriffs, as well as a number of representatives of Mexican-American groups. A number of suggestions and comments were received. Mr. Civiletti is presently evaluating various recommendations as well as developing his own, and will be making a report to the Attorney General early next week.

4. White Collar Crime

On Thursday, the Attorney General addressed the U.S. Chamber of Commerce Business Advisory Panel on White Collar Crime. The Advisory Panel, which consists of business leaders from throughout the United States, was organized some months ago to work in cooperation with the Department of Justice to combat white collar offenses.

5. Lecture at Texas Tech

On Friday, the Attorney General delivered the inaugural lecture in an annual series on trial advocacy at the Texas Tech Law School. The Attorney General's speech dealt with the Department's past efforts and future plans to improve the advocacy skills of government lawyers and the efficiency of the courts, and was warmly received.



THE SECRETARY OF THE INTERIOR
WASHINGTON

December 1, 1978

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior

Subject: Major Topics for the Week of November 27

Your Alaska designations are your most visible environmental move to date and very favorably received by the people.

I have finally met with the people in Jackson, Wyoming about the inholdings. Your word has been kept and they send you their thanks and best wishes.

While in the West, I received many favorable comments on your speech at Salt Lake City. The Mormon communities were very favorably impressed. (As we knew they would be.)

Where are we on reorganization? I'm available if you want to discuss it.

When do we go after the quail? That trip will give us the opportunity to have some media coverage of you and your shotgun. You have won the hearts of the fishermen.


CECIL D. ANDRUS



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

December 1, 1978

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

USDA MANAGEMENT COUNCIL. I told USDA participants at the USDA Management Council Conference in New Orleans, Thursday "don't play games with personnel or budget -- we are serious about fighting inflation."

OCTOBER CPI UP 0.8 PERCENT. Retail food prices rose 0.8 percent on a seasonally adjusted basis in October, the largest monthly increase since July but smaller than in the first 6 months of the year. Grocery store prices rose 0.9 percent in October, compared with a 0.4 percent rise in September. The October increase was largely due to a 2.1 percent increase in meat prices after declining in the preceding 3 months, with pork prices up 3.7 percent, beef 1.6, and poultry 2.5. Prices also rose for fruits, vegetables, eggs, dairy products, and cereal and bakery products while prices for sugar and sweets, fats and oils and coffee declined.

NOVEMBER WHOLESALE PRICE ALERT. USDA analysts anticipate that the November index of PPI, farm products, to be released on December 7, 1978, will show a decrease of about 1.0 percent from October on seasonally unadjusted basis, following increases for the past 2 months. Declines are likely for livestock, coffee, fresh fruits and potatoes, while the price of fresh eggs, grains, and fluid milk may increase. This forecast implies that November consumer food prices should be relatively stable, following increases in October as lower livestock prices are reflected in retail meat prices.

LARGER POULTRY AND EGG SUPPLIES IN PROSPECT. USDA forecasts a further expansion in broiler and turkey output during 1979 in response to relatively favorable producer profit prospects. In spite of a projected 10-percent increase in broiler output, prices may about match 1978 levels, largely due to reduced supplies of red meat; but the forecast of 20 to 25 percent increase in 1979 turkey production likely will mean lower average prices. Total egg production may increase around 1 percent, with prices averaging slightly higher. Retail prices for poultry products in 1979 may average near 1978 levels, as productivity gains offset higher marketing costs.

A handwritten signature in dark ink, appearing to read "B. Bergland".

BOB BERGLAND

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

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December 1, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall *RM*

SUBJECT: Major Departmental Activities November 27-
December 1

Exploratory Meetings with the Congress on Labor Department Legislation. While recognizing that no decisions have been made on Administration-wide priorities, I have initiated meetings with key members of Congress to get their views on Departmental legislation and its prospects in the next Congress. I have also met with the unions to discuss their legislative concerns.

Planning for the Oil, Chemical and Atomic Workers Negotiations. The first major test on the wage side of the inflation program will be the contract which expires on January 7. This will be a very difficult negotiation and the likelihood of a strike is high. I have discussed the matter with Fred Kahn. On Monday, December 4, we will be meeting with Charlie Schultze, Bob Strauss, Barry Bosworth, Jim Schlesinger and Landon Butler to improve our planning and negotiating strategy.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

December 1, 1978

MEMORANDUM FOR THE PRESIDENT

THROUGH: Rick Hutcheson Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues Pending at the Department of Transportation
for the Week of November 27

Highways and Inflation - On Friday, November 24, I announced a program to combat escalating highway construction costs following news that the highway construction cost price index of the second and third quarters of 1978 reflected the two highest quarterly cost increases on record - 17.6 and 14.7, respectively. My program includes reexaminations of contracts in cases where bids exceed estimated costs by seven percent.

In addition, I have now received the support of the State highway officials and members of the highway construction industry in encouraging contractor organizations and labor unions to follow your voluntary wage-price guidelines in negotiating their new labor agreements.

League of Cities Speech - Following your Monday address, I did explain the new urban initiatives contained in the Highway-Transit Bill to the officials of the National League of Cities in St. Louis. I emphasized that we were working with Jack Watson and other members of your staff and the Cabinet to be certain that the new legislation helps and does not injure the cities. I believe the remarks were well received, and I have indicated to members of my staff and to Jack Watson some of the projects I think we should present to Jack's committee.

Detroit Economic Club Speech, December 5 - In my address, I plan to challenge the auto industry to be more innovative and will propose a meeting to be held in Washington, D. C. in February between the industry and labor unions involved. At the meeting I will discuss the industry's complaints about regulation and challenge them on how they believe the Nation can produce a socially responsible automobile which reduces oil consumption, is less injurious to the environment, and is safer for the occupants. I will indicate steps we have taken with the fuel economy standards - passive restraints - and refer to the Congressionally mandated environmental standards, but point out that this is simply improving on our existing technology, and that we need a dramatic technological breakthrough if we are going to maintain the personal mobility which our citizens value so highly.

Pending Airline Merger Cases - The Department is participating in four merger or acquisition of control cases presently pending before the Civil Aeronautics Board. The cases are: Pan American Airways--National Airlines, a merger which, depending on the final form of the CAB order, might be subject to your review because of its international implications; Texas International--National Airlines, a competing application involving a hostile takeover bid by Texas International, also with Presidential review implications; Continental Airlines--Western Airlines, a merger between two trunk air carriers; and North Central Airlines--Southern Airlines, a merger between two regional air carriers. These cases will be the first merger cases decided under the recently enacted Airline Deregulation Act of 1978 and may set important precedents for the future of competition in the airline industry. We are currently formulating a position on these cases. If the CAB were to approve all of these mergers, there would be an appreciable reduction in the number of firms competing in the domestic air transportation industry. On December 6, we will submit to the CAB our position in the first of these cases, the North Central-Southern case.



Department of Energy
Washington, D.C. 20585

December 1, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER

SUBJECT: Weekly Activity Report
November 25 - December 1, 1978

Proposed Changes in Entitlements Relief for U.S. Small Refiners. The entitlements program, as initially adopted in November 1974, provided for a small refiner bias, under which small refiners receive special benefits in the form of "extra" entitlements. The original rationale for providing favorable treatment for small refiners was that subsidies were necessary to compensate for small refiners' higher operating costs, proportionately greater capital expenses, and lower product netbacks. The bias has undergone extensive reevaluation by the Department over the past year. This analysis found that the relative diseconomies of scale of small refiners are substantially less than the advantages they enjoy under the small refiner bias. One significant result of this overcompensation has been the proliferation of very small, inefficient refineries.

As a result, the Department recently issued a notice of proposed rule-making that would amend the entitlements program to reduce the level of benefits received by small refiners under the bias. This action is based on our tentative conclusion that the bias overcompensates small refiners, particularly those below the 50,000 barrels per day (B/D) level. The proposed amendments would reduce the maximum per barrel benefit received under the bias to \$.96 per barrel, which is equal to the estimated operating margin disadvantage experienced by a representative small refinery at the 10,000 B/D crude run level. The amount of the bias would decline as a refiner's crude runs increase, so that the bias would be reduced to nine cents per barrel at the 100,000 B/D level.

This reduced level of entitlements relief would maintain the viability of the independent refinery sector of the industry while eliminating the windfalls of recent years that have resulted in a large number of economically sub-optimal refineries being constructed. Bias benefits would be available generally only to those refineries which are in operation as of the date of publication of this proposed rule. For

those small refineries that are proposed to be built, the Department would consider applications on a case-by-case basis, with relief granted only if the refinery furthered national energy objectives.

The small refiners are quite upset at this proposed rulemaking, and a heated lobbying effort, underwritten by a large "war chest," can be expected in the next Congress to obtain legislative relief to preserve the existing bias. The difficulty inherent in operating this aspect of the system is yet another reason why elimination of the entitlements system--which by its nature creates demands for special-interest protection such as the small-refiner bias--is in the national interest.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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December 2, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CS*

Subject: CEA Weekly Report

Strip Mining. The Regulatory Analysis Review Group (RARG) has filed its report on the Department of Interior's draft strip mining regulations, bringing to five the number of major regulations reviewed by the RARG this year. As you know, the strip mining regulation is one of five regulations with considerable economic impact that will be nearing completion during the next several months. The Department of Energy has been working closely with us on the RARG analysis of the regulation.

Inflation Forum. Lyle Gramley travelled to Chicago on Monday to lead one of Fred Kahn's sessions with local business and labor leaders. He reports back that the response was far more supportive of the program than he had expected. Business leaders, particularly, were asking very detailed questions and evidencing their intention to comply with the price standards. Although the number of representatives from organized labor was small, Lyle reports that those who did attend were not hostile to the program. On balance, he returned from Chicago impressed by the degree of cooperation we can expect to see from that region.

Economic Forecast. The interagency forecasting group, chaired by CEA, this week began preparing the economic forecast that will go into the 1980 Budget. I have already discussed with you the broad outlines of the forecast as we see it now. I will report to you in more detail as soon as the interagency group completes this forecasting round.

Economic Report of the President. The CEA staff has plunged into the annual task of preparing the President's Economic Report to the Congress. This task will occupy a major portion of the staff's time until the end of January. The section of this report that will be most difficult to write will be the treatment of the economic goals specified in the Humphrey-Hawkins bill. Those goals, which have always been highly ambitious, have been put farther from reach by economic developments of the past year. I will be working with Stu and others in the Administration to reach agreement on the best way to approach the requirements of the bill in the Economic Report.

Policy Proposals for 1980. At our meeting Friday morning, I discussed with you the items under consideration within the EPG for inclusion in your January economic program. CEA has begun to prepare a decision memo for you on the options concerning the minimum wage. Fred Kahn, Barry Bosworth, and I met Saturday afternoon with several major business leaders to discuss the comments CWPS has received on wage and price standards during the public comment period. The meeting was held at the request of the business leaders, who desired an opportunity to contact us before the final CWPS guide pay and price standards are announced.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

December 1, 1978

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Call Figure
2 times

MEMORANDUM FOR THE PRESIDENT

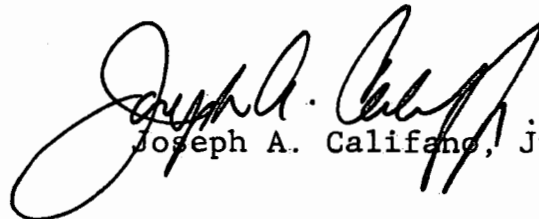
SUBJECT: Weekly Report on HEW Activities

- Fraud and Abuse Conference: You are scheduled to speak on Wednesday, December 13 at the Secretary's National Conference on Fraud, Abuse and Error in HEW programs. Other speakers include Griffin Bell, Elmer Staats, Congressman Jim Wright, Governor Busbee, and Mayor Hatcher. We expect an audience of more than 1,000 people (elected officials, prosecutors and investigators, auditors, and program administrators, from both state and local levels) and excellent press coverage. In addition to communicating effective techniques for combatting fraud and abuse in ten different workshops sessions, I hope to stimulate increased attention to management by stressing that fraud and abuse is not an issue just for conservatives, but for everyone at every level of government. This is the first time a Federal agency has ever held a major conference specifically aimed at fraud, abuse and error.
- Age Discrimination: Yesterday, I announced the first government-wide regulation required by the Age Discrimination Act of 1975. We will launch a comprehensive examination of programs supported by Federal funds to identify and eliminate age discrimination that does not fall strictly within the exceptions provided by the Act. To achieve this goal on a government-wide basis, I have asked each Department and Agency Head, and each Governor, to begin immediately to compile lists of age distinctions in their statutes, regulations, and policy statements. Our new regulations propose a unique and unprecedented process for resolving claims of age discrimination: To enlist the Federal Mediation and Conciliation Service to review complaints and resolve them within 60 to 90 days.
- Title IX: We have completed a review of Office for Civil Rights proposed policies on applying Title IX -- the law prohibiting sex discrimination in educational programs and activities -- and its implementing regulations to the issue of equal opportunity in inter-collegiate athletics. My staff consulted extensively

with universities, athletic associations, womens' organizations, and other concerned groups. The policies interpret and provide guidance with respect to the Title IX regulations published in 1975, and provide a balanced approach to the basic requirement of the regulation for pro-rata expenditures for women's and men's sports. We have scheduled for announcement next week the tentative policy interpretations. This is likely to receive intense press coverage and ignite controversy.

● Civil Rights and Vocational Education: Although vocational education is one of the most important components of American public education (11 million men and women in a variety of occupational training programs that have received Federal support), we have never addressed civil rights issues in this area with the same attention that has been focused on other education programs. Consequently, we are under court order to publish next week proposed guidelines detailing the responsibilities of vocational education programs to assure compliance with civil rights laws protecting minorities, women, and the handicapped.

○ ● Dinner with Congressmen: I recommend that you invite Cabinet members to your dinner on December 6 with the newly-elected Congressmen. This will provide a unique opportunity for Cabinet members to meet with all of the new Congressmen.


Joseph A. Califano, Jr.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

December 1, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren
Gus Speth
Jane Yarn



SUBJECT: Weekly Status Report

NEPA Regulations. On Wednesday we promulgated our final regulations implementing your May 24, 1977 Executive Order. The regulations were drafted to achieve the goals you established: "to make the environmental impact statement more useful to decisionmakers and the public;" "to reduce paperwork;" and to streamline the process. I am sending personal copies of the regulations to each agency head, to each governor, to interested members of Congress, and to all of the organizations and members of the public who helped to develop the regulations. Our staff members have already visited each of the ten federal regions to explain the regulations to field personnel. We will continue these outreach efforts, including giving briefings to interested industry associations and other private organizations. Our regulations support your goal to make government actions more responsive and understandable to the people.

Solar Energy. We have been working intensively with DOE during the past weeks to complete the Solar Energy Domestic Policy Review Response Memorandum. The memorandum is encouraging and should provide the basis for important Administration initiatives in 1979.

Rural Initiatives. Your rural initiatives announcement today includes an agreement by the four water/sewer agencies (EPA, FmHA, EDA, HUD) to use a single environmental review process as allowed by our NEPA regulations. We played a principal role in developing this agreement, which will reduce paperwork and delay while improving the sensitivity of sewer projects to environmental reviews.

Community WASHINGTON, D.C. 20506
Services Administration



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MEMORANDUM TO THE PRESIDENT

December 1, 1978

Attention: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez, Director
Community Services Administration

SUBJECT: Weekly Report of Significant Agency Activities
(November 27 - December 1, 1978)

National Community Action Agency Executive Director Association Annual Convention

As a member of your Anti-Inflation Speakers' Bureau, I spoke Wednesday at the National Community Action Agency Executive Director Association (NCAAEDA) Annual Convention in San Francisco. I told the 1,200 NCAAEDA members attending the convention that you are trying to help the poor by having your anti-inflation program focus on inflation in the basic needs areas of food, housing, energy and medical care. A copy of my speech is attached.

Response to the Reader's Digest Article on CSA

The article on the Community Services Administration (CSA) in the December issue of the Reader's Digest describes horror stories which occurred with CSA grantees under the Nixon Administration, not your Administration. The article, however, leads the reader to believe that these incidents are occurring today. CSA has responded adamantly to this distortion of the truth by writing directly to the Editor-in-Chief of the magazine, Edward Thompson, and by having CSA General Counsel Frank Jones appear on the Today Show of NBC with the author of the article, Donald Robinson. I have attached a copy of CSA's letter to Mr. Thompson.

Small Hydropower Projects for Low-Income Rural Areas

CSA has initiated an interagency effort to better coordinate Federal technical and financial assistance to small hydropower projects, particularly those located in low-income rural areas. The effort, which is to be discussed with you at today's meeting on rural America, would involve CSA, the Department of Energy, the Corps of Engineers, the Economic Development Administration, Rural Electrification Administration and the Farmers' Home Administration.

Community WASHINGTON, D.C. 20506
Services Administration



OPENING REMARKS

BY

GRACIELA (GRACE) OLIVAREZ

DIRECTOR

COMMUNITY SERVICES ADMINISTRATION

AT THE

NATIONAL COMMUNITY ACTION AGENCY

EXECUTIVE DIRECTOR ASSOCIATION

ANNUAL CONFERENCE

SAN FRANCISCO, CALIFORNIA

NOVEMBER 29, 1978

ITS GOOD TO SEE SO MANY CAP FOLKS IN THE SAME ROOM TOGETHER. IT WASN'T SO LONG AGO THAT THIS MANY OF US TOGETHER IN ONE PLACE MADE SOME PEOPLE IN HIGH PLACES VERY NERVOUS. IT IS GOOD TO BE TOGETHER UNDER BETTER WORKING CONDITIONS. WE HAVE THE WELCOME LUXURY OF BEING ABLE TO THINK SERIOUSLY AND FREELY ABOUT THE FUTURE OF THIS PROGRAM AND ABOUT OUR CONTINUING EFFORTS TO ELIMINATE POVERTY IN THIS COUNTRY OF OURS.

I WAS HERE IN SAN FRANCISCO THIS PAST JULY FOR THE REGIONAL CONFERENCE ON "MEETING CRITICAL HUMAN AND SOCIAL NEEDS." MY PRESENTATION TO THE CAAS PARTICIPATING IN THAT CONFERENCE FOCUSED ON THREE MESSAGES I HAD BROUGHT FROM WASHINGTON. FIRST, THE ADMINISTRATION HAS REAFFIRMED ITS COMMITMENT TO THE MISSION OF CSA. SECOND, WE MUST GO ON THE OFFENSIVE ON BEHALF OF THE POOR AND THE ANTI-POVERTY PROGRAM. THIRD, IT WAS (AND STILL IS) TIME FOR US TO REEXAMINE WHAT WE ARE AND WHAT WE DO. THESE MESSAGES HAVE BEEN REENFORCED BY EVENTS SINCE MY JULY VISIT.

THE ADMINISTRATION COMMITMENT TO OUR MISSION HAS BEEN REENFORCED BY THE PASSAGE AND SIGNING OF ONE OF THE BEST REAUTHORIZATION ACTS IN THE 14-YEAR HISTORY OF THE PROGRAM. NCAAEDA AND CSA WORKED TOGETHER SUCCESSFULLY ON THE IMPORTANT PROVISIONS OF THAT ACT.

WE HAVE TAKEN THE OFFENSIVE TOGETHER ON BEHALF OF THE ANTI-POVERTY PROGRAM. WE SWIFTLY AND AFFIRMATIVELY RESPONDED TO THE OVERSIGHT REPORTS OF CONGRESS WHICH HAD BEEN IGNORED BY PREVIOUS ADMINISTRATIONS. THIS HAS SIGNIFICANTLY IMPROVED THE ADMINISTRATION OF THE PROGRAM AND HAS HELPED IN YOUR EFFORTS TO IMPROVE NCAAEDA. WE HAVE GONE ON THE OFFENSIVE FOR AN INDEPENDENT POVERTY AGENCY IN DISCUSSIONS AND RECOMMENDATIONS REGARDING FEDERAL REORGANIZATION. WE ARE ALSO ON THE OFFENSIVE AGAINST THE KIND OF UNPROFESSIONAL JOURNALISM REFLECTED IN THE DECEMBER READER'S DIGEST ARTICLE AND LAST YEAR'S UPI FEATURE ON THE ANTI-POVERTY PROGRAMS. THESE KIND OF ARTICLES CONTINUE TO TELL TIRED OLD STORIES ABOUT ABUSES IN PREVIOUS ADMINISTRATIONS--WHICH WE HAVE ALREADY CORRECTED--AS IF THEY WERE HAPPENING TODAY. WE WILL NOT PERMIT THIS KIND OF JOURNALISTIC ABUSE TO SIDETRACK OUR EFFORTS TO RESTORE THIS ESSENTIAL PROGRAM. I UNDERSTAND THAT MANY OF YOU HAVE ALREADY SEEN MY LETTER TO THE EDITOR OF THE READER'S DIGEST. THE LETTER MAKES IT CLEAR THAT I DO NOT INTEND

TO LET IRRESPONSIBLE PEOPLE DO A "HATCHET JOB" ON THIS PROGRAM, WHICH REFLECTS THE DEDICATION AND PLAIN HARD WORK OF THOUSANDS OF ANTI-POVERTY WORKERS.

I DO NOT EXPECT YOU TO TAKE THESE KIND OF ARTICLES AND STORIES LYING DOWN EITHER. I EXPECT EVERY ONE OF YOU TO SPEAK UP FOR YOUR BOARDS, YOUR STAFFS, YOUR GREAT PROGRAMS, AND--MOST IMPORTANTLY--FOR THE POOR.

OUR OFFENSIVE SHOULD ALSO GO BEYOND THOSE SOMETIMES NARROW ISSUES AFFECTING ONLY THE ADMINISTRATION OF THE ANTI-POVERTY PROGRAMS.

FOR INSTANCE:

---WE ARE WORKING VERY HARD TO INSURE THAT THE RECENTLY AUTHORIZED CONSUMER COOPERATIVE BANK IS DESIGNED IN A WAY TO INSURE THAT IT IS AN IMPORTANT RESOURCE FOR THE POOR.

---OUR WORK TOGETHER IN THE AREAS OF CITIZEN PARTICIPATION AND ENERGY ADVOCACY HAS BEEN VERY IMPORTANT.

---TOGETHER WITH NCAEDA, WE HAVE GONE ON THE OFFENSIVE IN SUPPORT OF THE PRESIDENT'S ANTI-INFLATION PROGRAM.

IT IS A GOOD PROGRAM. THE PRESIDENT AND MR. KAHN HAVE BEEN VERY RECEPTIVE TO OUR CONCERNS ABOUT THE EFFECTS OF INFLATION UPON THE POOR. WE HAVE ASKED THE PRESIDENT AND MR. KAHN TO ADOPT A SECTORIAL APPROACH TO STRATEGIES FOR LIMITING INFLATION AND ITS IMPACT UPON THE POOR.

I PREFER TO CALL THIS SECTORIAL CONCEPT THE "BASIC NEEDS" APPROACH. WE ALL KNOW THAT THE POOR HAVE BEEN HURT VERY BADLY BY INFLATION IN THE BASIC NEEDS AREAS OF FOOD, HOUSING, ENERGY AND MEDICAL CARE, WHERE INFLATION HAS RUN AS HIGH AS 15%. IT IS IMPOSSIBLE FOR THE POOR TO DEFER THE SPENDING OF THEIR LIMITED DOLLARS FOR FOOD, HOUSING AND ENERGY. IT IS OFTEN DIFFICULT, AND SOMETIMES HARMFUL, TO DEFER SPENDING FOR MEDICAL CARE. THE PRESIDENT'S ANTI-INFLATION PROGRAM IS GOING TO ZERO IN ON THESE AREAS TO TRY AND HELP THE POOR. OF COURSE, CAPS ARE THE MOST EXPERIENCED INFLATION FIGHTERS IN THE COUNTRY AND I HAVE TOLD THIS TO THE PRESIDENT--WE DIDN'T GET A RAISE FOR EIGHT YEARS. BUT NOW WE ALL NEED TO JOIN WITH THE PRESIDENT IN FIGHTING INFLATION AND HELPING THE POOR. WE MUST DO EVERYTHING WE CAN, IN OUR AGENCIES AND OUR COMMUNITIES, TO HELP THE PRESIDENT IN THIS EFFORT.

MY MESSAGE ABOUT THE NEED TO REEXAMINE WHAT WE ARE AND WHAT WE DO HAS ASSUMED CRITICAL IMPORTANCE AS A RESULT OF VARIOUS STATE TAX REFERENDA AND APPARENT NEW DIRECTIONS IN PUBLIC OPINION--WHICH ONLY CONFIRM WHAT MANY OF US HAVE KNOWN ALL ALONG: PEOPLE WANT BETTER GOVERNMENT FOR LESS MONEY. SO TODAY, I WANT TO TALK WITH YOU ABOUT THIS REEXAMINATION AND GIVE YOU SOME OF MY THOUGHTS ON THE FUTURE OF THE COMMUNITY SERVICES ADMINISTRATION.

THIS PROGRAM OF OURS WAS LAUNCHED WITH A METAPHOR THAT AMERICANS OF THAT TIME COULD EASILY GRASP: "THE WAR ON POVERTY." OUR STRATEGIES AND TACTICS WERE PLANNED LIKE MILITARY UNDERTAKINGS. WE BELIEVED THAT IF ENOUGH RESOURCES COULD BE MARSHALLED AND TARGETED EFFECTIVELY WE COULD WIN THE WAR. THE METAPHOR LIVES ON TODAY IN A STRANGE NEW DEBATE. ONE SIDE INSISTS ON CLINGING TO THE PESSIMISTIC CLICHE , 'THE POOR WILL ALWAYS BE WITH US.' FOR THEM, THE WAR WILL NEVER BE WON. OTHERS CLAIM THAT STATISTIC SHOW THERE ARE NO MORE POOR PEOPLE IF YOU COUNT FOOD STAMPS, MEDICAID, AND OTHER IN-KIND BENEFITS AS INCOME. YOU AND I KNOW THAT BOTH GROUPS ARE WRONG. RIGHT HERE IN THE BAY AREA WE CAN SEE THAT SIGNIFICANT PROGRESS HAS BEEN MADE. BUT BY THE SAME TOKEN, WE NEED ONLY WALK THE STREETS OF SAN FRANCISCO AND OAKLAND TO SEE THAT POVERTY IS FAR FROM BEING ELIMINATED. I AM BEGINNING TO THINK

THAT WHAT SUSTAINS THIS FRUITLESS DEBATE, AT LEAST IN PART, IS THE "WAR" METAPHOR ITSELF. YOU AND I KNOW WE'RE NOT ENGAGED IN A WAR--ALTHOUGH WE HAVE HAD SOME PRETTY GOOD SKIRMISHES ALONG THE WAY. RATHER, WE ARE ENGAGED IN A DYNAMIC PROCESS CALLED COMMUNITY ACTION, PEOPLE HELPING PEOPLE BECOME SELF-RELIANT. YOU AND I ARE NOT POVERTY WARRIORS, BUT WE ARE WORKING DAMNED HARD TRYING TO HELP POOR PEOPLE AND REPRESENT THEIR INTERESTS. I CERTAINLY DON'T FEEL LIKE ANY JOAN OF ARC, AND I DON'T SEE ANY GENERAL PATTONS IN THE ROOM, EITHER. WE ARE JUST IDEALISTIC AMERICANS DEDICATED TO A PROGRAM THAT WE BELIEVE REFLECTS THE BEST IDEALS OF THIS COUNTRY OF OURS.

SO MAYBE WE NEED TO BEGIN OUR REEXAMINATION WITH THAT TAG LINE, THE WAR ON POVERTY. OUR EARLY STRATEGY WAS BASED ON AN EXPECTATION OF LIMITLESS RESOURCES AND AN EVER-EXPANDING ECONOMY WHICH COULD SUPPORT OUR ENTIRE POPULATION AT THE MIDDLE-CLASS STANDARD TO WHICH WE BELIEVED EVERYONE ASPIRED. AT THAT TIME, NOT MANY OF US HAD HEARD OF SUCH THINGS AS NONRENEWABLE RESOURCES, WASTEFUL CONSUMPTION AND ECOLOGICAL SYSTEMS. THE "WAR" METAPHOR SEEMED APPROPRIATE, GIVEN OUR PERCEPTIONS OF THOSE TIMES AND EXPECTATIONS FOR THE FUTURE. TODAY'S STRATEGY FOR ELIMINATING POVERTY IN A FRAGILE, TRANSITIONAL ECONOMY, WITH OUR CONCERN FOR THE ENVIRONMENT

AND OUR RECOGNITION THAT RESOURCES ARE LIMITED, HAS TO BE DIFFERENT FROM THOSE PLANS THAT WERE BASED ON SURPLUSES AND PREDICTIONS OF UNHINDERED GROWTH.

IN A TRANSITIONAL ECONOMY, WE NEED TO RETHINK NOT ONLY THE METAPHOR WE USE FOR THE ANTI-POVERTY PROGRAM BUT ALSO THE VERY WAY WE DEFINE THE TERM "POVERTY". THE NEW DEFINITION MUST INCLUDE A SCOPE BROADER THAN THE PRESENT INCOME INDEX. ACHIEVING SELF-RELIANCE WILL HAVE TO BE OUR BENCHMARK FOR SUCCESS. AND "SELF-RELIANCE" WILL HAVE TO BE DEFINED IN MORE THAN JUST ECONOMIC TERMS. INDIVIDUAL SELF-RELIANCE WILL BE DEPENDENT ON FAMILY AND COMMUNITY SELF-RELIANCE. WE WILL NEED TO HELP POVERTY COMMUNITIES ACQUIRE THE CAPABILITY TO SUSTAIN THEMSELVES ON RENEWABLE ENERGY RESOURCES AND TO SUPPORT LABOR-INTENSIVE ECONOMIC AND COMMUNITY DEVELOPMENT PROJECTS. I EXPECT WE WILL SEE THE REDEVELOPMENT OF COTTAGE INDUSTRIES, CRAFT COOPERATIVES, COMMUNITY-OWNED SMALL BUSINESSES AND COMMUNITY AND REGIONAL MARKETING SYSTEMS FOR BASIC GOODS AND SERVICES AS WELL AS AGRICULTURAL AND OTHER PRODUCTS. RAISING OUR OUTLOOK A BIT FARTHER, THE APPLICATION OF STRATEGIES TO ACHIEVE COMMUNITY SELF-RELIANCE CAN PLAY AN IMPORTANT PART IN FULFILLING NATIONAL NEEDS AND REACHING NATIONAL GOALS

SUCH AS CONTROLLING INFLATION AND REDUCING UNEMPLOYMENT, STABILIZING OUR ECONOMY AND REDUCING OUR DEPENDENCE ON FOREIGN OIL.

SELF-RELIANCE STRATEGIES ARE PARTICULARLY IMPORTANT TO ONE SUBGROUP OF THE POVERTY POPULATION: THE 7.5 MILLION POOR PEOPLE WHO LIVE WITH SOME FORM OF MENTAL OR PHYSICAL DISABILITY. THESE PEOPLE HAVE NEVER BEEN REACHED BY OUR PROGRAMS IN A SYSTEMATIC WAY. REMOVING THE ARCHITECTURAL AND COMMUNICATIONS BARRIERS THAT KEEP JOBS AND SERVICES OUT OF REACH OF THE DISABLED, AND CORRECTING ATTITUDES THAT KEEP THE HANDICAPPED IN A STATE OF FORCED DEPENDENCE CAN PRODUCE THE KIND OF NEW PRIORITY I'M TALKING ABOUT. CURRENT POLICIES SUPPORT AN INACCESSIBLE ENVIRONMENT AND EXTENSIVE INCOME SUBSIDIES LIKE SSI AND SSDI. THE ACTIONS NECESSARY TO REMOVE THE BARRIERS AND CHANGE THE ATTITUDES WILL TAKE RESOURCES, BUT THE BENEFITS CAN OUTWEIGH THE COST. I HOPE THAT THE PRESIDENT'S SIGNING OF THE NEW REHABILITATION ACT AMENDMENTS WILL GO A LONG WAY TOWARD PROMOTING SELF-RELIANCE FOR THE DISABLED POOR.

WE HAVE ALL BEEN INVOLVED IN PROGRAMS AND PROJECTS THAT PROMOTE COMMUNITY SELF-RELIANCE. WE HAVE BEEN INVOLVED FOR MANY YEARS IN COMMUNITY ECONOMIC DEVELOPMENT THROUGH

COMMUNITY DEVELOPMENT CORPORATIONS, COMMUNITY DEVELOPMENT CREDIT UNIONS AND VARIOUS OTHER ACTIVITIES OF CAPS. OUR RECORD IN THE ENERGY FIELD IS IMPRESSIVE. CAPS WERE THE FIRST TO DEVISE AND IMPLEMENT WEATHERIZATION PROCESSES FEASIBLE FOR LOW-BUDGET OPERATIONS AND LOW-INCOME HOUSING. OUR SOLAR, WIND, HYDRO AND OTHER ALTERNATIVE ENERGY PROJECTS HAVE YET TO BE MATCHED FOR IMAGINATIVE INNOVATION. COMMUNITY GARDENS AND FOOD COOPERATIVES HAVE BEEN ENCOURAGED BY OUR PROGRAMS SINCE THE BEGINNING. AND MOST OF THE NATION'S SELF-HELP HOUSING PROJECTS WERE EITHER FUNDED BY, INITIATED BY OR MODELED AFTER SOME ANTI-POVERTY PROGRAM. ALL OF THESE ARE LABOR-INTENSIVE COMMUNITY DEVELOPMENT AND COMMUNITY SELF-RELIANCE PROJECTS THAT PROVIDE MEANINGFUL EMPLOYMENT OPPORTUNITIES FOR POOR PEOPLE.

I THINK WE ALL RECOGNIZE THAT WE MUST NOW MOVE BEYOND THE DEMONSTRATION STAGE TO A NEWLY ARTICULATED ANTI-POVERTY STRATEGY PREMISED ON THE GOAL OF COMMUNITY SELF-RELIANCE. WE NEED TO BEGIN INTEGRATING SELF-HELP SYSTEMS IN OUR COMMUNITIES WHICH CAN INCORPORATE A VARIETY OF APPROACHES. RURAL WATER AND SEWER PROJECTS SHOULD BE COMMUNITY DEVELOPMENT/PUBLIC HEALTH/RENEWABLE RESOURCE/ECONOMIC DEVELOPMENT INTEGRATED SYSTEMS. URBAN FOOD PRODUCTION PROGRAMS SHOULD BE RECREATION/ENVIRONMENTAL ENRICHMENT/INCOME STABILIZATION/SOLID WASTE MANAGEMENT INTEGRATED.

SYSTEMS. YOU GET THE PICTURE. OF COURSE, MANY OF YOU HAVE ALREADY ESTABLISHED INTEGRATED SELF-HELP SYSTEMS ENCOMPASSING HOUSING, ENERGY CONSERVATION, APPROPRIATE TECHNOLOGY, RENEWABLE RESOURCES, NUTRITION EDUCATION, FOOD PRODUCTION, COMMUNITY MARKETING, YOUTH EMPLOYMENT AND TRANSPORTATION FOR THE ELDERLY. WE NEED NOW TO TAKE THOSE MODELS AND MAKE THEM THE STANDARD THROUGHOUT THE COMMUNITY ACTION NETWORK.

THE COMMUNITY SERVICES ADMINISTRATION WILL CONTINUE TO BE THE LABORATORY WHERE INNOVATIVE APPROACHES TO SOLVING THE PROBLEMS OF POVERTY WILL BE DEVELOPED AND TESTED THROUGH COMMUNITY ACTION. USING THAT PROCESS, WE MUST FIND WAYS TO FORECAST AND PREPARE FOR THE PROBLEMS AND NEEDS OF THE POOR AS THEY WILL EXIST IN THE ECONOMY OF THE FUTURE. AT THE SAME TIME, WE MUST REDEFINE 'SELF-RELIANCE' IN OTHER THAN STRICTLY ECONOMIC TERMS, ARTICULATE THE NEW ANTI-POVERTY STRATEGIES, AND REDIRECT NATIONAL POLICIES AND PRIORITIES TOWARD COMPLEMENTING AND SUPPORTING RATHER THAN DISCOURAGING INDIVIDUAL, FAMILY AND COMMUNITY SELF-RELIANCE.

IF WE CAN DISCARD THE OLD METAPHOR OF THE "WAR ON POVERTY," WHAT SHOULD WE CHOOSE AS THE PEG ON WHICH TO HANG THE NEW ANTI-POVERTY STRATEGY? I THINK IT'S OBVIOUS ALREADY: COMMUNITY ACTION. COMMUNITY ACTION IS THE PERFECT WAY TO DESCRIBE EFFORTS TO ESTABLISH INDIVIDUAL AND COMMUNITY

SELF-RELIANCE. IT IS THE BEST MECHANISM YET DEVISED TO BRING ABOUT A BETTER FOCUSING OF ALL AVAILABLE RESOURCES UPON THE GOAL OF ENABLING FAMILIES AND INDIVIDUALS OF ALL AGES, IN RURAL AND URBAN AREAS, TO ATTAIN THE SKILLS, KNOWLEDGE AND MOTIVATION TO BECOME FULLY SELF-SUFFICIENT. IF THOSE WORDS SOUND FAMILIAR, THEY SHOULD. THEY ARE THE STATEMENT OF THE PURPOSE OF RURAL AND URBAN COMMUNITY ACTION FOUND IN THE ECONOMIC OPPORTUNITY ACT OF 1964. THAT STATEMENT IS EVEN MORE APPROPRIATELY THE PURPOSE OF COMMUNITY ACTION FOR TODAY AND TOMORROW. LET US ALL REAFFIRM OUR DEDICATION TO LIVE BY THAT MANDATE AND STRIVE TO FULFILL THAT PURPOSE!

THANK YOU

Community WASHINGTON, D.C. 20506
Services Administration



November 25, 1978

Mr. Edward Thompson
Editor-in-Chief
Reader's Digest
Pleasantville, N.Y. 10570

Dear Mr. Thompson:

The article entitled "Wake Up to the Nightmare at CSA" by Donald Robinson (December 1978) is replete with inaccuracies and distortions. Robinson knew or should have known that this Administration has long since taken action to correct this legacy inherited from the Nixon Administration's years of neglect. His misrepresentation of fact and vague generalizations impugning the competence and integrity of current Agency management is a deliberate attempt to undermine the Community Services Administration (CSA) and its more than fifteen hundred grantee programs. Robinson's ad hominem attacks on CSA personnel and selective use of incidents which occurred under the prior administration is an example of journalism at its very worst.

Nowhere in his litany of horror stories does he bother to explain that these incidents (a number of which are more than five years old) occurred during the past administration. And, with singular malice, gross ignorance, or both, he implicitly states that this Administration has not taken action to correct these isolated abuses. Moreover, he makes no effort to discuss the relationship between the CSA, a federal agency, and grantee programs which are local not-for-profit corporations established under the law(s) of the state(s) in which they are incorporated. Rather, he distorts the facts in an attempt to place responsibility for the nefarious activities of a few private individuals (out of the literally millions of people who work with and for CSA grantees) on the current leadership. A close examination of Robinson's "journalistic malpractice" is instructive:

- o - ITEM: On page 144 Robinson cites the case of Otis Walker, the Comptroller of the Community Action Agency in Patterson, New Jersey. This incident occurred in 1975 - 1978. The Inspection Division of the Community Services Administration investigated this case referred it to the U.S. Attorney's Office and assisted in its preparation for prosecution without

assistance from the F.B.I. Robinson knew or should have known these facts.

- o ITEM: In the matter of Wilbert C. Russell, former Director of Monmouth County, New Jersey Community Action Agency, the incident which Robinson describes occurred in 1972. Nothing was done in the prior administration to correct this situation. When the present administration took office one of its first actions toward correcting abuses and defalcations of this sort was to terminate the Monmouth County, New Jersey Community Action Agency and insist upon the removal of Mr. Russell. In short, it was a direct result of the new, aggressive administration at CSA that resulted in correcting this situation. Robinson knew or should have known these facts.
- o ITEM: On page 145 Robinson refers to the case of William Del Torro. It was the direct intervention of the Community Services Administration that resulted in the removal of Mr. William Del Torro from his position in the New York City Community Action Agency. Robinson knew or should have known these facts.
- o ITEM: On page 145 Robinson mentions the Hahneman Hospital case. This incident occurred in 1975. Here again, the new Administration of CSA reviewed this file in its entirety. The current General Counsel prepared a memorandum of law in which he concluded that the previous administration's decision to permit the Hahneman Hospital to retain 1.5 million dollars in interest was illegal, prior General Counsel's opinion to the contrary notwithstanding. CSA's request for recovery of the 1.5 million dollars has been pending for several months before the Comptroller General of the United States. This is a classic example of the manner in which Robinson either failed to do his research or deliberately distorted the facts.
- o ITEM: On page 145 Robinson reports that Marvin R. Fuller, Chief of Inspections, complained in 1977 that "his bosses sometimes prevented him from investigating violations of the law". Unlike the congressional

report from which he took these remarks, Robinson conveniently ignores the fact that the incident to which Mr. Fullmer referred occurred in 1972, some five years before this Administration took office. He further fails to inform his readers that since this Administration took over, the Chief of Inspections and the General Counsel have initiated inspections in every case where allegations supported by competent evidence has been presented. Moreover, Robinson does not mention that the Office of General Counsel of the Community Services Administration has been affirmatively seeking out situations which could lead to mismanagement and abuse of programs in order to prevent the loss of government resources before it occurs. Rather, in his biased attempt to undermine the only federal agency in government with the exclusive responsibility of assisting the poor, he implies that it was this Administration which sought to obstruct investigations. He then proceeds to exploit Mr. Joseph C. Luman, Staff Director of the House Government Operations Committee, by quoting him out of context in such a way as to make it appear that Mr. Luman supports this attack on CSA's current Administration. Robinson knew full well that Mr. Luman's references were aimed at the manner in which this Agency had been allowed to flounder under the Nixon Administration.

- o ITEM: Nowhere are Robinson's distortions more apparent, or his politics more plastered than the attack on the Director and Deputy Director of the Community Services Administration. It is also perhaps at this point that Robinson's racism shines through. He alleges that the Deputy Director, Mr. William Allison's (who is a black) "chief claim to fame" was that he supported the candidacy of the President. Robinson did not bother to explain that prior to joining the Community Services Administration, Mr. William Allison was an outstanding director of one of the most effective and respected community action agencies in America, Economic Opportunity of Atlanta, Georgia. As such, Mr. Allison brought to the Community Services Administration expertise and experience in the field of community action far beyond that of any previous Deputy Director of this Agency. Robinson knew or should have known these facts.

Robinson saved his most egregiously dishonest misrepresentation for last, when he characterized CSA's Director, Graciela Olivarez as a "deplorably weak administrator" which he coupled with the unmitigated attempt to deceive his readers into believing that she has not taken action to correct the abuses of the past. Before addressing that aspect of this incredibly unprofessional article, it should be noted that the Community Services Administration believes that Robinson's article is so biased as to be undeserving of a response. We are responding because of the potential harm that this "hatchet job" could do to the millions of poor people who depend upon the Community Services Administration and its programs for assistance.

The first part of this letter therefore, has sought to address the inaccuracies, distortions and plastered politics so pervasive throughout Robinson's article. In the remainder of this letter I should like to relate the condition of this Agency when this Administration took over; a few of the corrective steps that have been taken thus far; and the reception that these actions have received by congressional committees responsible for overseeing the activities of the Community Services Administration.

The significance of the activities outlined below are best understood in the context of the situation which this Administration inherited after eight years of Republican efforts to dismantle the Agency. When the courts and the Congress effectively blocked the Nixon Administration's attempts to destroy the Agency and its programs, virtually all monitoring for fiscal, managerial and programmatic integrity of CSA's grantees ceased. For several years, therefore, the Agency, its staff and its grantees were virtually leaderless. Politics, as opposed to programs, was largely the basis upon which decisions were made. This situation was documented in the House Government Operation's Committee Report released in August of 1977. These, then, were the circumstances under which Dr. Olivarez and her management team assumed their responsibilities at the Community Services Administration.

Dr. Olivarez recognized that the first task was to establish an atmosphere in which change could occur. Upon confirmation in April of 1977, she announced that the Agency would no longer tolerate inept, ineffective or fraudulent grantees. In order to make her message credible, she began a series of initiatives. The following, then, are examples of major initiatives which CSA's present Administration has taken in furtherance of Dr. Olivarez's program of eliminating abuses and establishing fiscal, and managerial integrity among its grantees:

- A. In June, 1977 the Director withdrew CSA recognition of the New York City Community Action Agency, forcing a complete reorganization of the structure through which some 28 million CSA dollars were delegated to 350 agencies. This was an enormously complex undertaking, a political and legal mine field which has generated three lawsuits and numerous confrontations with various political representatives at the national, state and local levels. The Director, working closely with Mayor Koch and his administration, has held fast against these pressures.
- B. In August of 1977, two months after the Director began the overhaul of the New York City antipoverty program, she focused on serious abuses in national community action trade organizations. She notified every community action agency in the country that CSA had declared a moratorium on the expenditure of CSA funds for dues or travel in support of these organizations. In a very strongly worded letter she called for the complete overhaul of these organizations and indicated that no further CSA funds could be used "until the leadership of these agencies change and the appropriate regulatory and audit safeguards are in place". New regulations were issued designed to strictly limit and control CSA expenditures for travel and membership dues to these organizations. The strict implementation of these regulations caused an outcry from across the country not only from community action agencies which were not accustomed to CSA taking decisive action but from their supporters in federal, state, and local government. The Director held firm; however, and was subsequently congratulated for doing so by CSA's Congressional Oversight Committee.
- C. CSA has followed these initial actions by closing down an average of two community action agencies per month on the grounds of ineffectiveness, mismanagement, fiscal abuses of various kinds, or other violations of federal law and/or regulations.
- D. When this Administration took over, CSA's Economic Development Program, (with forty-five community development corporations), had enormous problems. These were also documented in the House Government Operation sub-Committee's Report. The new Administration of CSA halted all expansion of CSA's economic development activity; terminated five grantees; and

placed three others on probation while withholding new funding. Strict guidelines have been promulgated and grantees are either adhering to these guidelines or losing their funding. Here again, when these initiatives were first begun, vituperation was heaped upon the Director from across the country. She was equated with the notorious Howard Phillips who was sent by the Nixon Administration to dismantle the Agency. And, here again, enormous political pressure from state, local and congressional representatives was brought to bear. However, as in previous situations, the Director stood her ground, maintaining a tough but fair and sensitive posture. After the initial shock waves and necessary adjustments by the grantees, those most opposed to these initiatives are now applauding the cleaning-up process.

- E. The new CSA Administration has referred twenty-two instances of CSA grantee-abuses to the Department of Justice for criminal prosecution and has referred several others for affirmative civil action.
- F. Over the last year there have been fourteen individuals from community action agencies indicted or convicted for criminal fraud, conspiracy or related offenses arising from the misuse of federal funds. These convictions and/or indictments are a direct result of investigations conducted by CSA's inspectors in the Office of Legal Affairs and General Counsel.
- G. CSA's External Audit Division conducts annual quality reviews of the CPA firms who audit CSA grantees and has initiated a program of prohibiting inadequate firms from doing further contract work with these grantees.
- H. In the past year, four audit firms have been excluded from contracting to conduct audits of CSA grantees and fifteen other firms have been put on notice that their marginal performance will result in exclusion.
- I. The Agency has, for the first time, started to record liens on grantee real estate as an effective means of assuring recovery of disallowed costs. And CSA's General Counsel has sought a much larger role for Agency attorneys in litigation against or on behalf of the Agency, in order that more civil

fraud suits can be initiated to recover federal funds which have been illegally or improperly used by grantees or their employees. These efforts were specifically designed to further implement the Director's program of demonstrating that not only will the Agency no longer tolerate misuse of federal funds, but it will take affirmative legal action to recover those funds.

3. Recognizing that CSA itself has been responsible for numerous grantee problems, the new Administration has rewritten job descriptions to pinpoint bureaucratic responsibility and has, in the last year, significantly increased the number and success rate of disciplinary actions, including discharges of managerial level civil servants. These initiatives represent a spectrum of issues with which the Agency has successfully dealt since the new Administration assumed its responsibilities.

This Administration's effectiveness in dealing with the intractable problems inherited from the past administration has been recognized by the Congress, and the news media as well. For example, CSA's Congressional Oversight Committee, the same Committee which issued the highly-critical "eighth" report by the House Committee on Government Operations (from which Robinson apparently took the bulk of the material in his article), has applauded the new Administration's efforts.

BACKGROUND STATEMENT of the

Eighth Report by the Committee on Government Operations
(August 5, 1977)

..."from what has occurred to date, the present CSA leadership is much more aware of the need to manage the Agency properly than its predecessors were. A notable example is the example of Director Graciela Olivarez in refusing to deal with the Board of Directors of the New York City CAA...

"Tackling the CAA of the Nation's largest city is not an action to be taken lightly and the Director showed determination in doing this. We trust that this is the beginning of a series of decisive actions by the current management that will convince all concerned that the Community Services Administration will no longer tolerate violations of the regulations and instructions."

INTRODUCTION

(Ninth Report, Committee on Government Operations) (October 17, 1977)

"In our August report, we called for decisive action by the new CSA leadership to correct the abuses of the past. Director Olivarez's letter was just that. CSA has now served notice that it intends to see that associations are well-managed and democratically operated before it permits scarce federal antipoverty dollars to be spent in support of them...

"In this first important test of its willingness to demand accountability, the new CSA leadership has made it clear that it can act decisively...

... "The following report, rather than serving as the impetus to action by CSA, is now offered to support CSA's actions and as a study of what can happen when agency action is not taken. We believe that it shows the need for the type of control now demanded by CSA... The action already taken by CSA is a welcome change from the lethargy which has too often characterized that Agency's reaction to identified problems."

FOREWORD

to the

Report on the Programs Authorized under the
Economic Opportunity Act of 1964, as amended, (May, 1978)

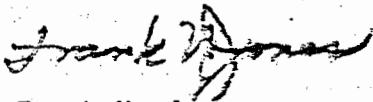
"... Under the new Director for CSA, Ms. Graciela Olivarez, major corrective actions have been undertaken to improve and strengthen the interdepartmental coordination and program and fiscal management of the agency. It is clear that these corrective actions must continue if the agency is to effectively and efficiently combat the multifaceted problems of poverty." (Senator Harrison A. Williams, Jr. Chairman, Committee on Human Resources, U. S. Senate.

Returning to Robinson's article, one must wonder how is it possible for a professional journalist to have interviewed CSA senior staff and other managers in Washington and the ten federal regions; traveled thousands

of miles (on an expense account no doubt) throughout the United States interviewing grantee program personnel; interviewed knowledgeable persons in the white House and the Congress; spent several months; and produce an article that appears to have been taken from a combination of recent congressional reports and a compilation of newspaper stories that were written years ago. In short, your publication would do well to conduct a fiscal and methodological review of Robinson's journalistic practices. For, as this response demonstrates, he has exploited the Community Services Administration, its personnel, and its programs. And perhaps, skirting perilously close to the craggy precipice of libel, he has exploited the Reader's Digest, as well.

Finally, the Leadership of the Community Services Administration knows that the record clearly demonstrates its ability and commitment to taking effective and decisive corrective action. The difficult question arises when we try to balance the need for swift, severe action to clean up administrative or fiscal defalcations, against the continuing needs of the poor who live in the ghettos and barrios across this country. While a "get-tough" policy can win political and media plaudits, the Agency's real task is to insure that in closing a community action agency, it does not close its doors on the poor.

Sincerely,



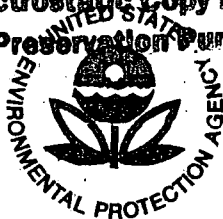
Frank N. Jones
Assistant Director for Legal Affairs and
General Counsel, Community Services Administration
Washington, D. C.

cc: John O'Hara, President
Reader's Digest

Charles Hepler, Publisher
Reader's Digest

William Schultz
Washington Editor

Melvin Laird
Senior Consultant
Washington Office



United States
Environmental Protection Agency
Washington, D.C. 20460

C

December 1, 1978

The Administrator

WEEKLY REPORT TO THE PRESIDENT

FROM: Douglas M. Costle

This week we held the first formal meeting of your Regulatory Council. I think you will be pleased with the way in which the agencies are responding. The appropriate officials from each of the Departments and Agencies in the Executive Branch attended, along with members of twelve independent agencies and commissions. All expressed strong support and an eagerness to cooperate.

We still have to work out some of the details of how the independent agencies will participate, but I was heartened by their reaction. Since the meeting we have heard from several other independent commissions that also want to be involved.

At the meeting we:

- o discussed the substance of a regulatory calendar;
- o agreed upon a schedule for getting the first one produced to meet your February deadline;
- o agreed upon the immediate formation of two work groups--one charged with responsibility for developing a uniform cancer regulatory policy to be adopted by all federal agencies, and the other with identifying immediate reforms that could be undertaken in transportation, communications, and other similar areas; and
- o agreed to establish similar work groups in other areas of concern such as health and safety, finance and banking, social justice, and resource development.

Finally, in two weeks we should have descriptions of all the regulatory reforms that the various agencies have already instituted. This will define a base we can build upon; moreover, it will demonstrate the progress your Administration has already made.

A large, stylized handwritten signature, likely of Douglas M. Costle, is written over the bottom right portion of the letter.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON
20506

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December 1, 1978

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Robert S. Strauss

RNS

Subject: Weekly Summary

My domestic Deputy, Ambassador Wolff is in Japan winding up the agricultural package with Japan and the Geneva Deputy, Ambassador McDonald is trying to move the Geneva negotiations into the final stage. While there are differences outstanding, they are in shape to be resolved with ten days to two weeks hard negotiation. The Commission is committed and Haferkamp and Denman, who were in your office, are personally committed and convinced it is possible to initial an agreement by the end of the year.

The lacking ingredient continues to be authority from the Council of Ministers and the French have given no indication of softening of position. As a matter of fact, the French President spent 15 minutes yesterday convincing Kissinger that even if they were "isolated" the French would veto the completion. Kissinger has so briefed our Embassy. I think the odds are good they will "choke" before running the risk of being responsible for a trade war or even responsible for our failure to pass legislation extending the countervailing duty waiver.

We are at the stage where I gather the Europeans in the past have been very effective in leaving open five or six issues to the last hours and get most of them resolved in their favor as others cave in against the deadline. It is my intention to sit steady as possible and ensure we return to the Congress with a trade package we can present with pride rather than apology. It will be tough enough under the best of circumstances. I do think the odds are better than 50/50 that we will have a deal by the end of the year or shortly thereafter.

On the domestic front, we continue to have a constant flow of sticky trade issues and the next messy one will be on fasteners. It will be particularly difficult to resolve without some relief because of its strong political constituency at the very time we need that particular constituency for countervailing duty legislation.

Last night, Kahn, Schultze, and I met very privately with Fitzsimmons and his people and while nothing will probably result, it was the first productive labor meeting I have attended. As you well know, the stakes are very high for both sides and last night we put the discussion in a posture of a joint effort to solve a common problem rather than an across-the-table negotiation. We will know early next week if the common rationale that we developed is economically sound and whether we made real progress. Undoubtedly you will hear more about it from Charlie and Fred.

THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

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December 1, 1978

FYI

REPORT TO THE PRESIDENT

In June of last year you asked me to have the Department undertake a study of the status of U.S. ocean policy and to identify issues which the Administration should seek to resolve. This study is completed and will be released shortly. I will provide you a copy at the next Cabinet meeting.

The study concludes that the United States will be increasingly reliant on the oceans because of diminishing land-based resources and crop land. The study further concludes that broad legislative authority for national ocean policy already exists. In reviewing the evolution of ocean policy over the past decade, we concluded that ocean initiatives have been developed largely in the Congress. Within the legislative framework now established, this Administration has both an opportunity and an obligation to assert increased leadership in this important area. Appropriate initiatives include:

- o expanding the development of ocean resources to contribute to U.S. economic growth;
- o strengthening environmental and resource conservation policies to ensure the protection of marine and coastal environments; and
- o developing a marine R&D program that will encourage technological innovation by the private sector.

I have forwarded a memorandum to Stu Eizenstat which suggests specific actions in these areas; I hope to discuss these suggestions with you shortly.

Today the Department forwarded to Stu Eizenstat and Jim McIntyre a legislative proposal for a new Minority Enterprise Department Administration (MEDA). MEDA would incorporate and strengthen the programs of the Office of Minority Business Enterprise and the Interagency Council. More importantly, the proposed MEDA would be responsive to pressing capital and technical assistance needs of medium-size as well as smaller minority firms. I believe this proposal is especially important to this Administration's minority enterprise objectives; it is also highly relevant to the recent concerns expressed by minority leaders over potential cuts in the FY 80 budget.


Juanita M. Kreps



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420
December 1, 1978

• TO : The President
THRU: Rick Hutcheson, Staff Secretary
FROM: Administrator of Veterans Affairs

VA Presidential Update

L. A. Excess Land - As result of a request made to the White House (Bruce Kirschenbaum), we are considering declaring excess some unneeded acreage at our Los Angeles medical center which is sought by the City of L. A. to construct housing for the elderly. We will first touch base with oversight committees on the Hill, then, if no objection is encountered, will declare the land to GSA as excess to VA needs. However, if we do declare the land excess there is no assurance the city will get it, for the law establishes strict priorities for GSA to follow in disposing of such acreage.

Rep. Leo J. Ryan - He was interred Nov. 22 in our Golden Gate National Cemetery in San Francisco at impressive ceremonies attended by Chip Carter and some 60 Members of Congress. Rep. Ryan had a keen interest in this cemetery in his district and had visited there 3 weeks before his death.

"Operation Boost" - As you promised in your 10/10/78 Message to Congress, VA is now extending this campaign to all 50 states. Designed to make Vietnam era veterans increasingly aware of GI Bill educational opportunities, this media campaign was initially targeted to the 11 states where GI Bill participation rates were below 50%.

Successful Campaigns - With the hope my campaign appearances may have had some impact, I'm pleased to report 20 of the 25 Senate and House candidates with whom I made personal appearances won in the Nov. 7 general election.

Frederick Downs - You recently mentioned to me the excellent article in the N. Y. Times written by this highly decorated amputee veteran of Vietnam combat. Downs, who has worked for VA here the last 5 years, and before that in Denver, has also authored a just-out book, The Killing Zone, which was given a rave review by the Washington Post last Sunday.